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AN INQUIRY INTO THE NORMATIVE CORE OF STAKEHOLDER THEORY: TOWARDS A COMMUNITY OF STAKEHOLDERS?

by

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An inquiry into the normative core of stakeholder theory: towards a community of stakeholders.

A. ABSTRACT

A number of normative theories have already been suggested as competing normative cores of stakeholder theory. As a consequence, suggesting yet another normative core for stakeholder theory will probably add to the confusion facing managers and academics who try to catch up with the rapid developments of stakeholder theory. However, a critical assessment of some of these existing stakeholder theories shows that most of them fail to take the distinct contribution of the stakeholder concept into account. I argue that this distinct contribution is the awareness of the existence of multiple stakeholders and diverse stakeholders interests. This contribution, though it was primarily made on a descriptive level, has profound implications for people who want to develop a normative theory of the corporation which could really be called a normative *stakeholder* theory of the corporation. In this paper, I will try to clarify these implications.

B. INTRODUCTION[1]

Who is entitled to the results of a corporation? In the neo-classical tradition, the answer is almost self-evident: the corporation should be managed in order to maximise wealth, and this wealth should go to its shareholders. They alone have a legitimate claim on the corporation's profits. This legitimacy rests on a twin belief in individual and system rationality, its moral value being grounded in a narrow economic utilitarian meta-norm. This meta-norm supports the standard economic assumption that in a world of scarcity, more is better than less, hence resources should be utilised in the most efficient way possible. This would allegedly be the case if the shareholders had full control rights over the corporation. However, many are keen to reject these assumptions, for several reasons: (1) social welfare cannot be reduced to wealth, (2) utilitarian principles have to be complemented by rules of fair and just distribution of the created welfare, and (3) the typically utilitarian insistence on individual freedom cannot guarantee the respect due to each human person.

A first important challenge to the supremacy of shareholders came with the rise of the managerial class. It has been the achievement of firm theorists to show how one could bring the interests of managers in line with those of the shareholders again. They

[1] I gratefully acknowledge the support of Luk Bouckaert who has given me insightful comments on drafts of this paper on several occasions. I am also indebted to Johan Stuy who commented on an earlier version of this paper.

achieved this mainly by applying the narrow utilitarian principles governing the market on the level of the firm. As a result, the power of the shareholders has increased tremendously with the emergence of institutional investors on the stock markets. Indeed, the market pressure on managers is so powerful that one needs these days to design new protection devices, this time to protect other stakeholders from the shareholders, because the race for efficiency is often found at odds with important human values, including mainly justice and a more egalitarian distribution of wealth. Opponents of the standard neo-classical view argue that wealth is not identical with welfare, and that society should seek to balance economic and non-economic goods. In addition, they argue that decisions about this trade-off should not be confined to the political realm. They want to broaden the scope of responsibility of corporate managers to these kinds of decisions. Stakeholder theory, being an attempt to map all the stakeholders to which the corporation has to pay attention, appears particularly adequate to achieve this.

The normative claims lying at the core of stakeholder theory identify ethical guidelines for the operation and the management of corporations, based on particular conceptions of the legitimacy of the claims of various stakeholders on the corporation. There tends to be a consensus on the fact that normative stakeholder theory involves the following basic ideas: (1) morally legitimate stakeholders are identified by their interests in the corporation, whether the corporation has any functional interest in them; (2) the interests of these stakeholders are of intrinsic value and should be taken into account by the management, both when they establish the strategic options *and* in the day-to-day running of the corporation (see Donaldson & Preston (1995), p. 67).

Unfortunately, this consensus is limited, and there exists not yet a "standard" normative stakeholder theory.[2] Different normative cores have been formulated as explicit moral bases of stakeholder legitimacy, and no agreement has been found yet. I experience the very diversity of the theories suggested as normative core for stakeholder theory as a disturbing fact, mainly for two reasons.

First of all, on a practical level, what are stakeholder theorists going to say to business people who want to know what they should do if they want to behave ethically? Secondly, on a theoretical level, if the stakeholder concept is to be a meaningful concept, than the stakeholder theory should be markedly different from other theories of the corporation. Normative *stakeholder* theory should also be markedly different from other normative theories of the corporation. I submit that this is true even if stakeholder theory is nothing but a *genre* of theories, as Freeman has suggested: this genre must be markedly different from other genres of stories about the corporation. If

[2] See Mitchell, Agle & Wood (1997) for a comprehensive review of the stakeholder literature.

this is a sensible claim, then before attempting a critical assessment of stakeholder theory, one should mark the difference between *stakeholder* theories (whether normative, descriptive, or genres) and other theories. I will try to mark this difference after a short critique of contract-based stakeholder theories.

C. THE STAKEHOLDER AGENCY THEORY

The stockholders are often said to deserve *prima facie* a privileged position. Goodpaster (1991) is one of the defenders of this position. He recognises that management bears some responsibility towards the stakeholders, but claims that managers are not agents for *all* those who enter into contracts with the firm, arguing that there is no categorical imperative to further their ends as if they were their agents. According to him, such a "multi-fiduciary" approach leads not only to "*ethics without business*", but also to a *flawed* understanding of *ethics*, for this approach contradicts the common *moral* judgement that management bears a special fiduciary responsibility as agents of the stockholders.[3] Hence, expanding the list of principals to include other stakeholders would be a breach of the *special status of stockholders*. Goodpaster argues that when managers act as the fiduciary agents of other parties than the stockholder, their fiduciary relationship is only derivative: it has been taken on only because it furthers the agent's primary responsibilities, which are to the stakeholders.[4] But why is the relationship between stockholders and managers ethically different at all from the relationship between managers and other stakeholders? Four arguments are usually put forward in order to defend the existence of this fiduciary relationship (see Boatright (1994)).

C.1. The stockholders can rightly be called the owners of the firm. Their property rights are the basis for the fiduciary relationship between stockholders and managers.

Since the stockholders are 'the owners' of the corporate resources, it seems natural that they have the right to control the use of these resources to their own benefit. The right to control something seems to be an essential part of what it means to own something. However, it is now commonly accepted that property consists of a *bundle*

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[3] Goodpaster has coined the expression 'stakeholder paradox' for this contradiction.

[4] Goodpaster recognises that the responsibilities management bears towards the other stakeholders, though not fiduciary, have moral relevance. Management has the duty not to harm them, not to cheat them, not to coerce them, etc. This definition of management's duties in mere negative terms is obviously not compatible with stronger ethical claims, such as e.g. the Kantian categorical imperative. However, Goodpaster himself recognises that mere respect for the law is very restrictive and can in times even be *unfair*. The following statements reveal the conflict in Goodpaster's argument: "There are morally significant non-fiduciary obligations to third parties surrounding any fiduciary relationship. It is these very obligations in fact (the duty not to harm or coerce, and duties not to lie, cheat, or steal) that are cited in regulatory, legislative, and judicial arguments for constraining profit-driven business activities." (Goodpaster (1991) p. 67). "Corporations are not solely financial institutions; fiduciary obligations go beyond short-term profit and are in any case subject to moral criteria in their execution; and mere compliance with the law can be unduly limited and even unjust." (Goodpaster (1991) p. 70).

of rights with regard to something: the right to possess, to use, to dispose of, to exclude others, to manage and to control (Etzioni (1998), Elegido (1995)). Society has the power to divide this bundle into several pieces, and has certainly made use of this power regarding the ownership of corporations. How should the bundle of rights regarding property of stock be divided? If we consider that the stockholders' rights are limited to receiving some of the fruits of the use of property, a limited right of control and a fractional residual right, then one can sustain that the fiduciary duty of management towards the shareholders cannot be logically deduced from the ownership rights of the latter.

C.2. Only the stockholders have made a contract with the managers, which provides the basis for the agency relationship and the fiduciary duty of management.

This argument is subject to one major criticism: it is unclear whether there exists such contract. At the very least, there is certainly no explicit, written contract. It can also not be assumed that an implicit contract would have been made, because the "standard legal conditions" necessary to assume the existence of an implicit contract are not met. To take but the most significant example: there are hardly any direct contacts between both parties (see Boatright (1994)).

C.3. To give the managers a fiduciary duty towards the shareholders is the best means to control these managers.

The fiduciary (agency) relationship between the stockholders and the managers is sometimes justified as being the best means to protect the former against the absolute power and control of the latter (see *supra*). The adoption of this fiduciary agency relationship between managers and stockholders would thus be guided by considerations of public policy. However, if this is true, then the relationship between shareholders and management is not "ethically different" from other relationships. On the contrary, the control rights are allocated *to the stakeholders* merely because they bear the residual risk. This fact lies at the basis of the fourth argument.

C. 4. The stockholders bear the entrepreneurial risk: they are the residual risk-takers, and this risk should be compensated by management acting as sole agents of the stockholders.

Agency theory conceptualises the firm as a nexus of contracts, and in this framework the respective "rights" or "claims" of different stakeholders of the corporation are best understood as the inducements granted to those stakeholders to perform their roles in the corporation. From this perspective, the stockholders are best characterised as contracting to assume a substantial part of the risk associated with the business venture - the residual risk. They guarantee the performance of the other contracts, accepting the risk of net loss in return for entitlement to any net profit. Their return is related both to how well the firm is managed and to how the managers allot to each stakeholder an appropriate portion of the firm's income. In addition, given the peculiar nature of the risk they agree to bear, they experience more difficulties than the other stakeholders in writing contracts that adequately protect their rights. Therefore they are most vulnerable stakeholders. This means that *they need a special protecting device*, something like a legally binding fiduciary contract with management. That is the reason why they hire managers to protect them against the other stakeholders.

Undoubtedly, the investment of the shareholders should be protected through adequate means; but one could claim that the shareholders are already adequately protected through other means (Boatright (1998a)). At first, they have a series of statutory rights to elect the board of administrators, to vote on general assemblies, etc. Secondly, financial capital has a very low transaction specificity: the stockholders have the possibility to get rid of their shares swiftly and almost without cost on stock markets, if they think that the return on their investment is too low. Thirdly, the risk they bear has also a positive side, for the shareholders are entitled to any superior return the firm would produce. No other stakeholder can use any of these three protection devices. In addition, the shareholders have limited liability, which shifts part of the residual risk on other investors, not only on the creditors, but also on the employees who have made firm-specific investments. For all these reasons, one could argue that managers should not necessarily act for the exclusive benefit of the stockholders in order to spread risks and benefits *fairly* among the stakeholders.

Is the fiduciary relationship of managers towards shareholders a sufficient or an excessive compensation for the risk borne by this last party? The answer to this question is partly empirical (what is the exact risk borne by the different stakeholders?), but also partly more philosophical: what is a *fair* compensation? I shall now devote some attention to the operationalisation of fairness suggested by Edward Freeman (1994).

D. STAKEHOLDERS AND THE SOCIAL CONTRACT

Freeman (1994) has attempted to provide stakeholder theory with a normative core based on pragmatic liberalism, as articulated by John Rawls, Richard Rorty, etc. This "redesigned contractual theory" attempts to capture the liberal idea of *autonomy* by realising that each stakeholder must be free to enter agreements that create value for themselves, and *solidarity* is achieved by recognising the *mutuality* of stakeholder interests. Freeman defines the liberal idea of *fairness* by claiming *à la* Rawls that a contract is fair if the parties to the contract (corporate stakeholders) would agree to it in ignorance of their actual stakes.[5] Fairness would command a basic equality among stakeholders in terms of their moral rights as these are realised in the firm, and the recognition that inequalities among stakeholders are justified if they raise the welfare level of the least well-off stakeholder.

Freeman has in fact written a *new social contract theory* of the corporation, where the contractants are called "stakeholders", and write their "corporate constitution" behind a Rawlsian veil of ignorance. However, one of the principles Freeman derives in this contract (namely the *principle of externalities*) is squarely at odds with the current neo-classical ideology. This principle claims that if a contract between A and B imposes a cost on C, then C has the option to become a party to the contract, and the terms are re-negotiated. All the parties that are affected by a contract have thus a right to bargain about the distribution of its effects. The concept of "stakeholder" is thus extended beyond earlier definitions (the customers, suppliers, owners, employees, managers and local community named *supra*), to include all those who are affected by a corporation (i.e. bear the costs of externalities). Though the principle of externalities lacks a serious justification, I shall not attempt to demonstrate that, but I shall rather focus my attention on three major problems associated with this social contract approach.

D.1. Balancing conflicting stakeholder interests

When combined with the *principle of agency*, which claims that any agent must serve the interests of all stakeholders, the *principle of externalities* implies that all those affected should be treated just as the shareholders are. Hence, the *principle of externalities* "is virtually equivalent to [Evan & Freeman's (1988)] problematic assumption that all parties affected by a business have a right to participate in the business's decision-making process." (Hasnas (1998) p. 28). However, there is no obvious practical sense in which everyone bearing the cost of externalities could 're-negotiate' the terms of the contract. More specifically, this principle is useless without any principle for balancing the conflicting interests of the stakeholders. Evan & Freeman argue that, though it is not always possible to treat all the claims of all stakeholders equally, one should aim at reaching such an equilibrium: they do not give primacy to any stakeholder group over any other group: in the long run, the advantages granted to all have to average, because a strong disequilibrium can put the survival of the firm at risk. However, it is not obvious how such a simple equality rule could be operationalised. Does it make sense to say that the managers have a fiduciary duty towards all stakeholders, when they sometimes have to take steps that go against the immediate interests of some stakeholders? One could agree that managers have *de*

[5] For a thorough critique of the "Rawlsian" character of Freeman's argument, see Child & Marcoux (1999).

facto obligations to advance the interests of a variety of people with whom the firm deals (such obligations are generated by legal and moral claims generally recognised prior to the arrival of any stakeholder theory), *and* still resist the idea that the managers' fundamental goal should be the output of a trade-off between the interests of various constituencies having exactly the same weight in the dicussions.

Of course, much depends on the interpretation of the right to participate to a contract. One could interpret "respect for one's autonomy" as not requiring that one has a say in *any* decision that affects one's interests. A weaker interpretation of that principle could be that no stakeholder may be forced to deal with the business without his *consent*; this interpretation implies neither that all stakeholders are entitled to a say in the business' decision-making process, nor that the business must be managed for their benefit. I will focus on the notion of "consent" to the contract below.

D.2. The adoption of the social contract methodology does not necessarily lead to the rejection of the stockholder framework

A deeper problem associated with the attempt to ground stakeholder theory within social contracts is that the adoption of social contract theory does not necessarily lead to the rejection of the conclusions reached within an agency framework. Indeed, rational social contractors willing to benefit everyone in the community, by creating and distributing goods and services, and by providing opportunities for meaningful work, or in short, by increasing the *economic efficiency* of their society (making more out of less), could also think of the classical privileged relationship between managers and stockholders as the organisation principle of private firms. There is nothing that prohibits social contract theorists from adopting such a narrow utilitarian view of the individual and societal good, and indeed, some have adopted them. The best illustration is Williamson's transaction cost theory. This approach:

> "regards the transaction as the basic unit of analysis and contends that a leading but widely neglected purpose of economic organisation is to economise on the costs of transacting over time." (Williamson (1984) p. 338)

Transaction cost theory has been developed to allows us to see how the interests of a multiplicity of stakeholders interact to form the modern corporation. The firm is conceptualised as a nexus of bilateral contracts among its various constituencies, which contract with the firm to make their respective assets available for productive use (Alchian & Demsetz (1972)). These constituencies are assumed to behave as rational contractors in negotiating contracts, considering primarily their own interests, and able to strike bargains that best advance them. Employees are thus free to seek out employers who offer the best terms; investors, the highest return for the least risk, etc. These assumptions allow the adepts of contractual theory to contend that the privileged position of the shareholders best serves the interests of all corporate constituencies and that the current body of corporate governance rules would result from a negotiation between all the parties involved.

The argument goes as follows. Each party which brings transaction-specific assets to a contract will charge a lower price for his assets when adequate *bilateral safeguards* can be devised, i.e. when sufficient guarantees are offered that the cost of his investment will be compensated by the firm. If parties cannot devise such bilateral safeguards through contracting, then the owner of the asset may charge a higher price for his asset. This higher price may be thought as being the base price augmented with a risk premium, which compensates the asset owner for the risk that his investment won't be repaid fully. Another, cheaper solution, may be to grant the owner of the asset *generalised safeguards* through voting rights. Since one cannot be protected adequately against residual risk by transaction-specific bilateral safeguards, voting rights may therefore be given to the bearer of the residual risk. Therefore, allocating the residual risk to stockholders is supposed to be beneficial to all parties involved because it minimises transaction costs. But in addition, transaction cost theory assumes that stockholders are in a better position than other stakeholders to diversify efficiently their holdings across a number of assets, hence to reduce their exposure to risk. Therefore, additional *efficiency gains* are realised when they bear the residual risk. Hence, the stockholders alone, as the bearers of this residual risk, should have the right to elect the board of directors. In other words, corporations ought to be run for the benefit of shareholders, because as a result, *all constituencies would be better off.*

It is really unfortunate that an identical set of procedural hypotheses, when associated with different behavioral hypotheses, leads to two radically conflicting doctrines: one privileging the stockholders above all other stakeholders, and the other giving to all those claiming to be affected the right to renegotiate contracts. This fundamental ambiguity casts serious doubts upon the ambition of social contract theory and all the versions of stakeholder theory that rely on these contracts to provide us with guidelines about organisational behaviour.

D.3. The vagueness of hypothetical consent with the ideal contract

In addition to the problems just mentioned, the social contract approach is probably unable to give a full account of the modern corporation, because of difficulties about what constitutes consent to the contract. Indeed, there exists a gap between rational (social) contractors bargaining in ideal conditions of fairness on the one hand, and actual parties to a bargain on the other hand. Consequently, it is very difficult to evaluate theoretically whether the extant rules of corporate governance would result from free bargaining among all the constituencies, even if we are able to agree on one particular set of behavioural assumptions.

Indeed, Evan & Freeman (1990) have argued that even if it right to assume that all the stakeholders (except the stockholders) are able to formulate adequate bilateral safeguards, some of them could still view representation on the board (or the assignment of fiduciary duties) as a better way to safeguard their interests. Then, board representation would not be the exclusive privilege of stockholders, just as board representation is not the only safeguard available to these stockholders. Evan & Freeman (1990) argue that if they were engaged in a fair bargaining process, it would be irrational for *any* stakeholder to give up the ability to participate in monitoring the firm and the right to make changes in the contractual mechanism. This claim seems at least partly verified in practice. We can e.g. see that bondholders sometimes write covenants that permit them to block major corporate changes. Hence, contrary to what is claimed by Williamson, it is rational for *at least some* stakeholders to choose voting membership on the board, in addition to whatever other safeguards may be feasible.

Nonetheless, membership on the board may be unjustified when the costs are high and the risk-adjusted stake is low. Allegedly, this is the case for most stakeholders who don't invest in firm-specific assets. These groups, e.g. temporary workers, buyers of standardised products and bondholders, deal with the firm mostly in the market place. These market participants are protected by a series of government regulations and laws (that constitute part of the nexus of contracts), and therefore have allegedly little need for additional elaborate forms of contracting. Since the link between these constituencies and the corporation is rather weak, legal protection is assumed to be sufficient to allow them to advance their interests by contracting freely with the firm. The power asymmetry in favour of the corporation is assumed to be compensated adequately either by the functioning of the market or by legal protection. However, a combination of efficient markets, explicit and implicit contracts, legal remedies, and government regulations does not always provide an adequate protection to the weaker parties, e.g. low-skilled workers or buyers of standardised products.[6]

If the current corporate governance arrangements are not modified, although they do not offer adequate protection to weaker parties, the only plausible explanation is that there exist important power asymmetries, that hamper the negatiation processes between the different parties. Therefore, in practice, the common assumption that *all parties are able to bargain as equals, and free to contract for their best interests* is highly questionable. If power asymmetries effectively prevent the (real) stakeholders from bargaining *fairly* and *as equals*, then it is obviously very speculative to claim that they are *free to contract for their best interests*, and that *sources of unfairness* - whether real or potential - *are sufficiently addressed by contractual mechanisms*.

[6] See Ellerman (1992) for a provocative critique of the current legal arrangements.

Consequently, contract theorists tend to justify uncritically the present societal and corporate arrangements, though these tend to amount to one or another version of "might makes right" (Dobson (1999)).

E. STAKEHOLDER THEORY AND PROPERTY RIGHTS: THE STAKEHOLDERS AS INVESTORS

Viewing the stakeholders as investors also leads to the development of a stakeholder theory based on the "might makes right" principle. Donaldson & Preston have contended that "the normative principles that underlie the contemporary pluralistic theory of property rights also provide the foundation for stakeholder theory." (Donaldson & Preston (1995)), and several authors have followed this advice and used the property rights theory to bring other interests than these of the shareholders alone to the attention of the company. First of these, Schlossberger (1994) distinguishes between the *specific* (financial) capital and the *opportunity capital* required to run a business. Opportunity capital refers to all the *social* resources which are heavily drawn upon by corporations: trusts, roads, schools, etc. Social capital is provided by society, which can thus be considered to be a shareholder in every business venture, though not of the same type as stockholders. Blair (1995, 1998) holds a similar view on stakeholders, which she defines as "all parties who have contributed to the enterprise and who, as a result, have at risk investments that are highly specialised to the enterprise" (Blair (1995) p. 239, quoted in Leader (1998) p. 3). She emphasises the importance of human - or social - capital, which she considers as important as financial capital. Hence the investors of financial capital should not be given any priority over the investors of any other kind of capital in relation to the company's profit. This implies e.g. that the employees, as investors of human capital, gain the right to have a seat in the board, in order to defend their claim to their share of the company's residual; i.e. the employees gain a right to participate.

> "Put more simply, corporate resources should be used to enhance the goals and serve the purposes of all those who truly have something invested and at risk in the enterprise. Those parties, in turn, should be given enough of the control rights to ensure that corporate resources are used to those ends. If control rights could be allocated in this way, all of the participants would have an incentive to see that the total size of the pie is maximised, and any one stakeholder group would have trouble increasing the value of its stake simply by pushing costs and risks onto other shareholders" (Blair (1998) p. 63).

Both Schlossberger's and Blair's views consist admittedly of adopting a multi-fiduciary model of business. However, they do not address a basic question: what constitutes a fair return on opportunity, social or human capital? Should all the stakeholders (owners and non-owners) be allowed an *equal* share of the corporation's residual?

Etzioni (1998) provides a rationale for distributing the corporation's returns. But first, we have to sketch briefly his own view on "investors". While accepting the moral legitimacy of the claim that stakeholders have some particular rights and entitlements (e.g. the right to bear limited liability, the right to dividends, the right to participate in the governance of the corporation, etc.), he maintains that the same basic claim should be extended to all those who invest in the corporation, an investment being not only an outlay of money, but also any outlay of time or any other resources, in something that promises a profitable return. Since investors give up some immediate benefits and voice in order to seek a better return for the future, Etzioni claims that they may legitimately expect to participate to some extent (1) in the decisions that affect what their return may be in the future and (2) in the decisions concerning the social usages of the resources they invest. This applies to all stakeholders who invest some resources in the corporation in expectation of a return: shareholders, large creditors, wholesale clients, employees who have a long record in the corporation, and communities which make firm-specific investments.

Let us focus on Etzioni's treatment of the employees. The employees' investment in the corporation is often referred to as human or social capital. They invest years, sometimes a lifetime, of their labour in the corporation. A significant part of their compensation lies in the future, in the expectation of being employed and paid in the future. Moreover they are often encouraged to believe that if they work harder, with dedication and loyalty, the corporation will fare better than otherwise, and generate higher future gains, both in terms of continued employment and flow of wages and benefits. Etzioni adds that a fair number of court decisions recognise employees' rights to employment by the corporation for which they have been working, based on good faith implied by continuous satisfactory service.

It is however possible to argue against this, by claiming that employees *sell* their labour for immediate consumption by the firm (instead of making an investment). Hence, when they have been compensated for their work, they no longer have any rights to the product of their labour. Their present employment (investment) may generate expectations of future employment, but not a *right*, like e.g. the *right* of a bondholder to receive interests on his (financial) investment. It is significant in this respect that Etzioni (1998) doesn't mention suppliers (even large and long-term suppliers) in his list of stakeholders. Indeed, most of us would agree that, even if these suppliers may *expect* the firm to purchase their products or services in the future, this does not *entitle* them to claims on the corporation's future activities. In his text, he doesn't provide any reason why the suppliers of labour should be treated in a different way than other suppliers of goods or services.

Though the definition of stakeholders as investors seems to be a *reduction* of stakeholders to investors, let us look briefly at Etzioni's thoughts regarding the respective stakes of the various stakeholders in the governance of the corporation. Etzioni notes that in general, for all groups, the scope of their representation should parallel the scope of their investment. One should give more weight to employees who have worked for many years in the company than to those who were hired more recently, because long-time employees invested more in the company in terms of what workers invest, whose measure is approximated by counting years at work. A mechanism that would come close to what is envisioned here would be one in which employees would receive a specific number of votes according to the years they served in the corporation. However, claiming that "the scope of the representation of particular stakeholders should parallel the scope of their investment" is almost equivalent to saying that "the more one can affect the firm's activities, the more one should be allowed to participate to the decisions affecting the firm". This view of the stakeholders can be contrasted with the definition of Evan & Freeman (1988):

> "[The stakeholders] are the parties that can significantly affect, *or* are significantly affected by the firm's activities" (Evan & Freeman (1988), emphasis added).

It seems to us that *exclusive* consideration of the first part of this definition, as it is the case in Etzioni's article, is characteristic of a *strategic* stakeholder theory, based on the "might makes right" principle, while stakeholder theory cannot claim to have ethical normative strength unless it takes those *affected* into consideration.

In order to make our point more clearly, let us consider the case of low-skilled workers. Similarly to ordinary clients, ordinary workers who sell their work without any commitment can hardly be said to invest in the firm. The only way in which we can make sense of workers' investment is by considering firm-specific investments. However, the investment of low-skilled workers in the corporation is only marginal. If proportionate to that investment, the scope of their representation, if any, would be extremely limited, certainly when compared with the traditional (financial) investors. Undoubtedly, they would be powerless when confronted with the conflicting claims of other stakeholders, and stakeholder theory would mean no improvement to them. Nonetheless, we feel intuitively that normative stakeholder theory is meant precisely to give a voice to *all* the stakeholders of the corporation, and especially to protect the weaker stakeholders from the ambitions of the more powerful. Low-skilled workers are obviously not only among the weakest stakeholders of the corporation, but also among the stakeholders most in need of increased protection. While their personal investment is negligible to the corporation, the corporation is often of vital importance to them. Hence, we feel that their status as stakeholders of the corporation entails something more than their status as investors in the corporation. The things at stake include self-confidence, interpersonal relationships, personal identity, and, most importantly, the meaning the different stakeholders are able to give to their life through their membership to the corporation. I will focus on these issues in sections G and H. But at this point, I want to come back to the question I raised in the introduction: what is the distinct contribution of the stakeholder concept?

F. THE DISTINCT CONTRIBUTION OF THE STAKEHOLDER CONCEPT

What is the distinct contribution of the stakeholder concept? If we follow the distinction made by Donaldson & Preston (1995) between normative, instrumental and descriptive stakeholder theory, the distinct contribution of the stakeholder concept lies according to me on the descriptive level.

On the normative level, almost exclusively well-established existing normative theories have been suggested as normative cores for the stakeholder theory: e.g. the Kantian theory, the feminist theory, the liberal theory of property rights, the Rawlsian social contract theory, the "stakeholders as investors"-theory, and most recently the critical theory of Habermas. Hardly any new theory has been developed yet.

On the instrumental level, we have a similar picture: well-established concepts of social science have been labelled and used as "stakeholder" concepts, but hardly any new concept has been developed yet. The latest and most developed instrumental stakeholder theories rely on mechanisms involving e.g. trust, power, and resource dependency. These mechanisms are valid when applied to stakeholders, but they were applied with not less success before the term "stakeholder" was invented.

However, the stakeholder concept has, according to me, delivered a significant and distinct contribution on the descriptive level, by raising an awareness of the existence of multiple stakeholders and of diverse stakeholder interests (Preston e.a., 1999). This awareness has become critical because of the societal changes mentioned in the introduction. Though this awareness may seem to be relatively unimportant, its importance is not limited to the descriptive level. My claim is that it is *crucial* for normative stakeholder theory too, for two main reasons:

1. The neo-classical (stockholder) paradigm is very difficult to overthrow because of the link it makes between normative and descriptive utilitarianism. Though descriptive utilitarianism has been shown to reflect very poorly empirical reality, it has not yet been abandoned, precisely because of the immense appeal of normative utilitarianism.

However, since our language shapes our reality, the neo-classical rethorics based on this descriptive utilitarianism have focused the minds of managers on a very tiny portion of the issues raised by businesses. Therefore, anyone - any ethicist - wanting to overthrow the dominance of the neo-classical (stockholder) paradigm needs an alternative descriptive account of human behaviour. Descriptive stakeholder theory provides us with such an account.

2. Normative theories are not independent from our descriptive theories (Bowie, 1998, p. 48). Normative *stakeholder* theory also depends on our descriptive accounts of human behaviour. However, my claim is that most normative stakeholder theories are based on behavioral assumptions that either contradict the distinct contribution of the stakeholder concept, or assumptions that are so vague that they do not allow one to reject claims that contradict the distinct contribution of the stakeholder concept, namely the recognition that stakeholders are multiple and that theire interests are of diverse natures.

The *stakeholder agency theory* conceptualises the stakeholders as interested primarily by economic (productive) efficiency, just as the transaction cost theory does. This means that the *moral* responsibility of these corporations is *externalised* on the government or on the market, leaving to the firm the sole duty to be efficient. However, markets are not perfect, and it is plainly impossible to write complete laws and contracts.[7] In addition, even perfect markets have a rather poor record of morality, particularly of justice. However, efficiency is not an end in itself, neither from a normative nor from a descriptive stakeholder point of view. It can help to increase pleasure, or happiness, justice or whatever is good for man, but of itself it has no moral worth. What has moral worth is to be determined by the stakeholders, and we should expect that they would claim various things to have moral worth. The stakeholders won't voluntarily adopt the mono-utilitarianism exemplified by the *homo economicus*. Therefore, externalised responsibility is not sufficient. The duty towards the stakeholders has to be carried out at least in part by the management.

The *social contract stakeholder theory* is fundamentally ambiguous, because there can be as many social contract theories as there exist different sets of assumptions about the social contractants. I have shown above that a contract written by people exclusively interested in the economic efficiency of the corporation would not be essentially different from the contract suggested by agency theory and transaction cost theory. However, the opposite position, as taken by Freeman, is not better fitted to the stakeholder concept: indeed, he assumed, like Rawls, that all stakeholders are moved by the same desire to achieve an identical conception of fairness. However, if we

[7] Would Williamson be inconsistent? On the one hand, he insists on the intrinsic incompleteness of every contract, while on the other hand, he relies on the classical contractual mechanism, not only in this case, but also when he handles the classical labour contract as a sufficient means of protection for the workers (see *infra*). I owe this point to Alexia Autenne.

acknowledge the fact that stakeholders are multiple and their interests diverse, we have to recognise that Freeman's assumptions do not fit the stakeholder concept better than Williamson's.

The *stakeholders as investors* theory rests on a similar reduction of the stakeholders to investors. Though different kinds of stakeholder contributions to the corporation are recognised (financial capital, human capital, etc.), these contributions are only valued according to their productive capacity. This means that it is impossible to run the corporation according to any other criterion than the return on investment. Since each stakeholder's voice is proportionate to the size of his investment, more powerful stakeholders will be allowed to neglect the various interests of the multiple weaker stakeholders. Restrictions of their liberty will be hard to justify within the "investors" framework.

G. INTEGRATIVE SOCIAL CONTRACT THEORY (ISCT)

Since it seems impossible to imagine what hypothetical contractors in some abstract original position would decide, shouldn't we focus on the procedural rules that should lead actual stakeholders, and try to apply them to real life contractants? Donaldson & Dunfee (1994) have moved with their Integrative Social Contract Theory (ISCT) towards reliance on particularist rules and empirical justification, by distinguishing between macro-level hypernorms to which adherence is universally required, and micro-level contracts to which adherence can be assumed as part of the membership to a particular community. Hence, ISCT is able not only to provide general guidance, but also to reflect the context-specific complexity of intra-firms relationships.

ISCT distinguishes between microsocial contracts developed *within* local economic, political or legal communities and macrosocial contracts developed *between* those same communities. A community is defined by Donaldson & Dunfee (1994, p. 262) as a "self-defined, self-circumscribed group of people who interact in the context of shared tasks, values, or goals and who are capable of establishing norms of ethical behaviour for themselves". These may include firms, departments, national economic organisations, etc. The macro-social contract is a hypothetical contract requiring in the first place that managers identify, and act consistently with the legitimate ethical norms found in the communities in which they operate. The key terms of the macro-social contract are as follows (Donaldson & Dunfee (1994)):

1. Local economic and political communities may specify within their moral free space ethical norms for their members through microsocial contracts.
2. Norm-generating microsocial contracts must be grounded in informed consent buttressed by rights of exit and voice.

3. In order to be obligatory, a microsocial contract norm must be compatible with hypernorms defined in the macrosocial contract.[8]
4. In the case of conflicts among norms satisfying the first three principles, priority must be established consistent with the spirit and the letter of the macrosocial contract.[9]

Within the boundaries set by this macro-social contract, communities are left a substantial *moral free space* in order to write their own *microsocial* contract:

> "Although socio-political communities have the normative authority to prescribe [through the macrosocial contract] the range and nature of the stakeholder obligations for organisations operating within their borders, it is unlikely that norms resolving the full set of stakeholder issues would emerge. (...) In response to the natural 'gaps' in norms, business organisations and other communities would then have substantial *moral free space* in which to exercise their own ethical discretion. This firm-based moral free space in turn is strictly bounded by universal hypernorms and the constraints of consent, voice and exit established in the macrosocial contract." (Donaldson & Dunfee (forthcoming), emphasis added)

These communities may themselves formulate 'authentic' ethical norms and provide criteria for sorting out conflicting stakeholder interests, while hypernorms place limits on these authentic norms and may mandate the recognition of certain fundamental stakeholder claims. Consequently, the norms delineating stakeholder rights and obligations will vary among communities to reflect local customs, moral and cultural preferences, legal systems and economic goals.

ISCT recognises a *process* by which legitimate ethical rules or norms may be identified, without mandating well-defined rules. In short, ISCT asserts that corporations - as communities - receive a mandate to set their own norms and guidelines regarding stakeholder management. Of course, this requires that all stakeholders would internalise the values of conviviality, fraternity, trust and co-operation which are charcteristic of moral communities. This process by which legitimate ethical rules or norms may be identified can be summarised in four steps:

1. Relevant socio/political communities are primary sources of guidance for decision-makers concerning the stakeholder obligations of organisations formed or

[8] Donaldson & Dunfee suggest the use of presumption as a means for identifying relevant hypernorms.
[9] Etzioni makes a point which nicely illustrates the need for overarching macrosocial contracts: "While there is no principled reason for communities to refrain from seeking to encourage corporations to grant them some voice in exchange for specific investments the communities made in these corporations, the main difficulty is that communities compete with one another over the placement of the plants and offices of these corporations. The more a community imposes demands for representation of or for other considerations, the less likely it is to attract the desired corporations. Hence, as long as there is no federal legislation that ensures that communities can have a voice in exchange for specific investments in the corporations at issue, such community representation is unlikely to come about" (Etzioni (1998) p. 687).

operating within their boundaries. This guidance will be relevant primarily in answering the basic questions raised by stakeholder theory: Who are the stakeholders? How should we balance competing stakeholder claims? etc. Admittedly, this strategy will raise a set of thorny interpretation issues about the authentic norms of particular communities. Nevertheless, this approach has the merit to acknowledge that one cannot afford to neglect wholly empirical issues. The norms and preferences of the relevant communities could perfectly reflect the precepts of agency theory and give substantial preference to the interests of shareholders over other stakeholders. But other patterns could also emerge.

2. Where norms pertaining to stakeholder obligations are not firmly established in the relevant socio/political communities, organisations have substantial discretion in deciding how to respond to stakeholder claims and interests. Organisations can therefore be expected to develop their own set of values concerning stakeholder interests within their realm of moral free space. Organisation-specific values will gain in importance when the boundaries set by the macro and microsocial contracts will be less stringent. Consistent with many of the virtue theories popular today, the core values chosen within the corporation are particularly critical in guiding decision-making about stakeholder obligations.

3. All decisions which affect the stakeholders must be consistent with hypernorms.[10]

4. In those cases in which transactions cross the boundaries of communities having conflicting legitimate norms concerning stakeholder obligations, Donaldson & Dunfee suggest that priority should be given to the norms of the community having the most significant interests in the decision.

The *Integrated Social Contract Theory* of the stakeholders recognises a *process* by which legitimate ethical rules or norms may be identified, without mandating well-defined rules. ISCT represents therefore an important achievement towards the recognition of the moral validity of particular and contingent moral claims of stakeholders. However, I would like to contribute to the development of this theory by paying attention to the two following issues: the definition of the community, and the procedural rules for identifying valid moral norms within the community.

G.1. The boundaries of the community

Since the notion of community refers primarily to a local unit within a global system of interaction, boundaries are constitutive of communities. But where should we set these boundaries? Donaldson & Dunfee suggest a definition of the community as "any self-circumscribed group of people who interact in the context of shared tasks, values

[10] Donaldson & Dunfee (1998) claim that it is not necessary to have a formal list of hypernorms for the concept to be valuable to organisational decision-makers.

or goals, and who are capable of establishing norms of ethical behaviour for themselves". Though communities participate to a logic of relative exclusion by their very nature as bounded, local units, this definition leaves according to us the door open to too stringent forms of exclusion. Imagine shareholders and managers would agree to form a community which they would call "the corporation" and from which they would exclude any other party. They fit perfectly well within this definition of community. Imagine further that they would agree on a list of stakeholders of their "corporation", comprising only the suppliers, thereby neglecting the interests of other parties. Would that be reasonable? Most of us wouldn't agree with that. But on what grounds could we reject that agreement? Donaldson & Dunfee would object that this is not compatible with the norms defined by the higher-level socio-economic communities under whose legal authority the organisation is established (most often national states). However, my point here is the following: ISCT fails to give any *clear* rule that would enable us to know which parties should be recognised as legitimate members of a corporate community. We would argue that, without an understanding of the boundaries of this community, it is not possible to provide a full account of the kind of moral self-determination which is suggested by ISCT.

A more useful definition would be the definition of the corporation as a co-operative venture for mutual advantage, based on the principle of fairness (Phillips (1997)). The argument is that obligations of fairness arise when individuals and groups interact for mutual benefit. Phillips argues that these obligations are distinct from - and precede - the obligations that flow from consent, whether explicit, tacit or implicit. Though, others (e.g. Nozick, Dunfee) have argued that the activity requisite for the creation of obligations of fairness amounts to nothing more than 'tacit' or 'implicit' consent. Many objections have been raised regarding both tacit consent (e.g. the nature of the attitudinal factors from which one can adequately conclude that tacit consent has been given) and the distinct nature of obligations of fairness that would not devolve into some kind of consent. Without taking position in this intricate debate,[11] we can argue that, whether based on consent or on fairness, to the extent that a person or group is involved in a co-operative scheme with others involving the voluntary receipt of benefits, an obligation is owed to these other participants. However, since virtually any economic transaction may be interpreted as a co-operative scheme (this idea is as old as Adam Smith), all the parties which conclude economic transactions with the corporation can rightly claim to be stakeholders of this corporation. All stakeholder groups are, to varying degrees, involved in the same economic co-operative scheme, and the success of each is intertwined with the success of all others.

[11] The difference is not only a matter of vocabulary. Phillips claims e.g. that what he defines as obligations of fairness exist even if the obligation creating implications of such activities are unknown to the benefitee, while according to consent-based theories, the knowledge of the content of the obligation is an imperative prerequisite to consent.

Under this definition, those parties who don't contribute anything to the corporation are not stakeholders, though they can be themselves significantly affected by the corporation through positive or negative externalities. These parties are not part of a co-operative venture. Under this definition, terrorists would not be counted as stakeholders, although they may still merit prudential consideration. Another controversy has arisen about competitors. Our suggestion would be that *some* competitors are likely to be part of a co-operative venture with the corporation, through joint lobbying efforts, joint ventures, joint R&D, etc. These competitors are obviously stakeholders. However, aggressive competitors that behave as if the market was the arena of a struggle-for-life are not, though they still merit as much prudential consideration.

Some people may object to this definition. The case of low-skilled unemployed may be emblematic: they are not members of any co-operative game, they are not in any meaningful sense members of a particular corporate community, they cannot claim compensation for bearing the costs of externalities. Nevertheless, many people feel that corporations have a positive responsibility to provide jobs to these people (see Schokkaert & Sweeney (1998)). We would agree with this, but while every corporation can be argued to have a moral duty to provide jobs to low-skilled unemployed (whether in virtue of a hypernorm or any other arrangement), no one would seriously hold that these people could have legitimate claims over *one particular* company. In contrast, any party defined *supra* as a stakeholder, is most likely to be a stakeholder of only a limited number of corporations; the vast majority of corporations of which it is not a stakeholder don't have *any* responsibility towards it. A supplier e.g. has a claim on these firms of which he is a supplier, but on these firms only; everyone will agree that his fortune is indifferent to any other corporation. While the claims of stakeholders are *particular*, the claims of low-skilled unemployed are *general*. Admittedly, this doesn't facilitate the enforcement of their claim, but this shows clearly that they are not stakeholders of *a particular* corporation in the common sense of this term.

G.2. The rules for identifying valid moral norms within the community

Donaldson & Dunfee suggest that norm-generating microsocial contracts must be grounded in informed consent buttressed by rights of exit and voice. The notion of free and informed consent lies indeed at the basis of contractualistic ethics (Scanlon (1982)). However, the notions of rationality and freedom have been hotly debated topics during the whole history of Western philosophy (Jaggar (1993)). In addition, actual human relations always emerge in a context of unequal power. Therefore, we should not aim at realising the ideal moral dialogue envisioned either by Habermas, or by social contract theorists, when they construct the conditions of such a dialogue in an ideal original position. This ideal are simply unattainable.

Moreover, the ideal of free, rational and fully informed subjects conflicts with the basic contribution of stakeholder theory, i.e. the recognition that stakeholders pursue different goals, have different conceptions of rationality, and are powerful to various degrees. Therefore, we should rather try to achieve consensus between actual stakeholders evolving in actual conditions. Of course, this is a risky strategy, because the pursuit of consensus can foster the rejection of dissensus and divergence. Though not under *ideal* conditions, the moral dialogue between the stakeholders must take place in *minimal* conditions of fairness. This implies that all parties should be recognised as full-status stakeholders, and that they would follow some set of principles of fair bargaining, without privileging one party over the others. Unfortunately, there is in practice considerable room for controversy in identifying all the parties concerned, in identifying the principles of fair bargaining, and in drawing conclusions from them. What we need here is some principle of rationality and some principle of justice. But *whose justice*? And *whose rationality*? These questions amount to the basic questions of stakeholder theory: how should we distribute the benefits earned within the co-operative venture among the different stakeholders, given that all the participants' contributions are necessary but different in nature? I would like to suggest an answer to this question which is based on a *common good* that could function as a common reference scheme for the various stakeholders.

H. STAKEHOLDER THEORY AND THE COMMON GOOD.

Though Donaldson & Dunfee claim that ISCT can serve as a normative foundation for several kinds of stakeholder theories, hence that communities may develop stakeholder norms reflecting the utilitarian, Confucian, or even anti-Kantian preferences of their members, I have shown that some norms, e.g. utilitarian norms, are not in harmony with the stakeholder intuition; therefore, though they are valid in themselves, they cannot serve as basis for a normative *stakeholder* theory. I now submit that a normative core based on the community and the common good is more in harmony with the stakeholder intuition. [12]

The nature of co-operative ties between the stakeholders seems to imply the existence of a common good, that would be shared by the members of the relevant community.

[12] Some have suggested feminist ethics as a normative basis of stakeholder theory. Though many feminist insights could add to our understanding of the corporation as a moral community, I am not convinced that feminist ethics could really function as normative *basis* for stakeholder theory, because: "Feminists see our preoccupation with justice whether in the guide of respecting rights or of standing on a principle or of adhering to rules, as an impediment to social progress and the furtherance of the general goods." (Jackson (1995), p. 107).

But can we really think of the corporation in terms of a community trying to achieve some common good (goal), shared by all its members? Does it mean that the good of the individual is subordinated to the smooth running of the corporation? In political philosophy, the societal 'common good' is often seen as conflicting with individual goods, as if the pursuit of a personal objective was incompatible with the good of society, or as if the latter was a burden to individuals. Fortunately, this needs not be the case, particularly if one defines the common good as: "The overall conditions of life in society that allow the different groups and their members to achieve their own perfection more fully and more easily" (Argandoña (1998), p. 1095). This common good is truly a good in its own right: it is not the sum of the individual goals of its members, and its primacy does not exclude the pursuit of private ends as such; it only precludes the pursuit of private ends to the detriment of the common good.

What does this mean to private firms? This theory of the common good may help us to understand that the main duty of each stakeholder is to contribute his part in achieving the company's goal, in other words, to contribute to its common good, firstly by providing whichever factor they have agreed to provide, and secondly by creating the conditions in which each member of the company receives from the company whatever he has a right to receive by virtue of his contribution. The stakeholders have the duty to contribute to the common corporate good, which in turn has something to do with creating the conditions that will enable the stakeholders to achieve their personal goods.

But what is that common good of the corporation? Probably, that it would survive, grow and prosper in order to achieve its reason for existence, as simply stated in the company by-laws. Admittedly, this doesn't encompass the particular interests of the different stakeholders, but this is obviously necessary for the corporation to create the conditions that will enable the stakeholders to achieve their personal goods. Though it is different from the particular interests of all the stakeholders, it is nonetheless desired by all stakeholders, and in this sense, a truly *common* good. Hence, the common good of a corporation may be conceptualised as the intersection between the interests of all stakeholders (see Figure 1). In legal terms, this intersection corresponds to the sum of the *derivative* interests of the stakeholders (Leader (1998)). Derivative interests have an internal link with the company, while interests that are external to the company are called personal interests.

This distinction is not connected to the differences found between stakeholders. Instead, every stakeholder has interests which are related only to themselves, and others that are related to the objective of the corporation. While the latter would appear to be dominant on the corporate agenda, the former would appear to be secondary in nature. Hence, when the management sets the corporate agenda, it should not seek to strike a fair balance between the various interests of the stakeholders. Rather, it should identify the best means to help the company to prosper according to its own objectives, and only in a second phase ask about the fairest way in which to distribute the resulting costs and benefits among the stakeholders. The functionality of the corporation should be the dominant objective, tempered by objectives of personal justice, but not overruled by them.[13]

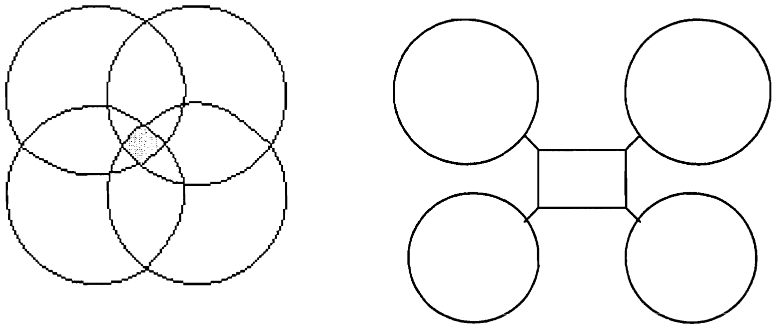

Figure 1: The traditional representation of the firm as a vehicle for co-ordinating stakeholder interests (right) and the new representation of the firm as the a vehicle for the pursuit of the common good of the stakeholders (left).

This allows us to re-think the fiduciary duty of managers: this fiduciary duty is not towards any particular stakeholder, but it is a duty to further the interests of the company, and consequently to satisfy *some* of the interests of the stakeholders - their derivative interests. However, since all stakeholder naturally want the company to prosper *and* their own interests to be satisfied, there is always a risk that, if given too much decision-power, a particular stakeholder would neglect the common good in order to achieve his own personal interest. In If the corporation fails to give the priority to the common objectives, than its members can generally activate two recuperation mechanisms, either 'exit' or 'voice', to correct the failure (Hirschman (1970)). If the 'exit' option is readily available, if people are free to leave without incurring exit costs, then the company doesn't have the duty to set up 'voice' mechanisms. However, if the stakeholders are the members of a community, then it is reasonable to argue that, though the 'exit' option may be available to them, this option has a cost. If any, the cost of breaking moral ties of trust and loyalty. Consequently, the stakeholders should have the opportunity to exercise voice *from within* the community; in other words, adequate mechanisms should be designed so that the

[13] Notice that, if conceptualised this way, a firm is obviously more than a mere forum for furthering stakeholder interests, as argued by Evan & Freeman (1988).

stakeholders would be able to exercise democratic control over the management.[14] Therefore, in corporate communities, democratic governance is required, whereby every stakeholder will have the opportunity to make sure that the manager doesn't give to any personal interests the priority over the common interest. However, since all stakeholders have personal interests that they will want to protect from abuse by the company, or advance at the expense of the company, there will always be room for conflicts, not only between stakeholders, but also between stakeholders and the management. The membership to the community does not imply neither silent compliance with the alleged "common good", nor a total sacrifice to the interests of the other members of the community.

One direction for future developments of the theory sketched here is to make a detailed analysis of the procedures of decision making that would be adequate within a corporate community, both on strategic and on operational levels. E.g.: To what extent are the different stakeholders invited to participate to the definition of the corporate objectives? I would like to suggest tentatively the following rules of corporate governance:

1. There should be an independent body able to make the distinction between personal and derivative interests.
2. This body should provide the stakeholders with detailed feedback about the way this distinction was made.
3. The pursuit of derivative interests should be assigned to a body of managers, placed under control by a board of directors that should comprise representatives of all stakeholders.
4. The pursuit of personal interests involves important considerations about justice that should be debated in a forum where all stakeholders are represented.

Another direction for improvement is to analyse the nature of the relationships between the corporation and those who were not defined here as its stakeholders: the state, the unemployed, the larger public, etc. E.g.: What is the content of the hypernorms? A real challenge to democratic governance is indeed to bridge the gap between the corporate objectives and the objectives of wider social democracy.

[14] Dunfee provides another argument in favour of internal voice mechanisms: "some form of voice (...) is critical to employee judgements that a firm has acted justly" (Dunfee (1998), p. 23). This argument is based only on the employee perceptions of procedural justice, which cannot be assumed to have unconditional moral strength. However, it can have practical relevance for the managers who must secure the co-operation of all stakeholders.

I. CONCLUSION

The approach defended at the end of this paper is clearly non-universalist; indeed, it has been to show that several ethical dimensions of human communities are inherently present in every corporation. Indeed, this approach has been adopted after having rejected all attempts to provide stakeholder theory with a universalist normative core. However, we don't think that universalism is required (see Wicks (1998)). On the contrary, non-universalism provides an opportunity to recognise the wide variety of values that may guide decision-making in corporations that are themselves infinitely varied. Though the recognition of this variety may be painful to some academics, we think that it is a *sine qua non* for business people to adhere to the discourse of business ethicists. The conclusions drawn from the concept of the corporation as a community (w.r.t. democratic governance and respect for the stakeholders) could be formulated from other perspectives as well, but this one is likely to appeal to the basic understanding, shared by most of us, and by most business people, of man as a moral being, capable of moral choices, and seeking to give meaning to his life. In this context, the community is not only a question of formal equality of rights, but primarily a matter of transforming relations of unequal power into relations of co-operation and participation.

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